



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday, January 19, 2018

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

CHINA

- Jan 18
 - Q4 GDP
 - Industrial production (Dec)

US

- Jan 16
 - Empire State index (Dec)
- Jan 17
 - Industrial production (Dec)
 - NAHB index (Dec)
- Jan 18
 - Jobless claims (weekly)
 - Philly Fed index (Jan)
 - Housing starts & permits (Dec)

EUROZONE

- Jan 17: HICP final (Dec)

GREECE

- Jan 19
 - Turnover Index in Industry (Nov)
 - Sovereign credit review by S&P

SEE

BULGARIA

- Jan 15: U/E rate (Dec)
- Jan 19: Current account balance (Nov)

ROMANIA

- Jan 15
 - 4% 2021 T-bonds auction
 - MPC meeting minutes
 - Current account balance (Nov)

SERBIA

- Jan 19: Current account balance (Nov)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The USD remained under pressure in European trade on Friday with the DXY index hovering within sight from yesterday's fresh three-year lows amid worries over a possible US government shutdown. The House of Representatives approved this week another short-term spending bill to keep the federal government operating until mid-February. The draft bill has now been submitted to the Senate where a vote is expected today at 19:30GMT, a few hours ahead of the midnight deadline. Elsewhere, both US Treasuries and Bunds were under pressure with the long-end underperforming on firmer than expected GDP data from China earlier this week. Looking at today's calendar, we expect UK retail sales for December and the UM consumer sentiment index for January. Separately, Moody's will review its assessment on Germany's sovereign credit rating while Fitch will update that of Spain.

GREECE: The Eurogroup of January 22nd will be briefed on the progress of the 3rd review of Greece's economic adjustment programme with a focus on the implementation of the remaining prior actions. With regard to the post-programme regime for Greece, a European official reportedly stated that Greece's case is somewhat different from that of other countries that exited similar economic adjustment programmes due to the fact the Greece is requesting debt relief. The IMF Communications Director Gerry Rice reiterated during a press briefing the position of the IMF to activate the Stand-By Arrangement for Greece once two conditions have been fulfilled: the implementation of the policy programme and the debt relief that would ensure debt sustainability. The updated S&P credit rating for Greece is expected today.

SOUTH EASTERN EUROPE

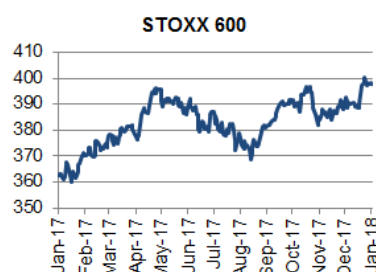
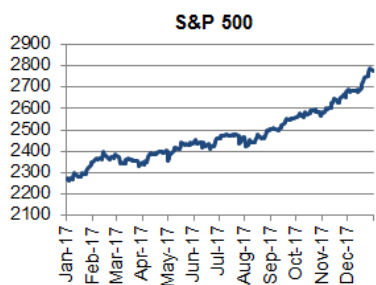
Cyprus: Tourist arrivals hit a new record in 2017 vindicating earlier expectations.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The USD remained under pressure in European trade on Friday with the DXY index hovering around 90.289 at the time of writing, within sight from yesterday's fresh three-year low of 90.113 amid worries over a possible US government shutdown. The House of Representatives approved this week another short-term spending bill to keep the federal government operating until mid-February. The draft bill has now been submitted to the Senate where a vote is expected today at 19:30GMT, a few hours ahead of the midnight deadline. This will be a close call as most Democrats have warned that they do not intend to support the bill unless it includes a permanent fix for the Deferred Action for Childhood Arrivals (DACA) programme. However, even if the draft bill is rejected by the Senate and a shutdown were to happen, any impact on the US economic activity is likely to be limited as it would affect only the so-called "non-essential" government services. Data from the US Treasury Department showing that the top two foreign US creditors, China and Japan, cut further their Treasuries holdings in November, also exerted a negative impact on the USD. Against this background, the EUR/USD was 0.4% firmer on the day to stand at 1.2280/85 at the time of writing, approaching a three-year peak of 1.2322 marked earlier this year ahead of next week's ECB monetary policy meeting where investors are eagerly awaiting some hints regarding the Central Bank's short-term policy deliberations. Elsewhere, both US Treasuries and Bunds were under pressure in European trade with the long-end underperforming short-dated paper and the belly of the curve on firmer than expected GDP data from China earlier this week. Looking at today's calendar, UK retail sales for December are expected to show a 1.1% mom decline following a gain of 1.2% mom in the prior month after retailers reported a disappointing Christmas sales period. In the US, we expect the UM consumer sentiment index for January, which is anticipated to improve supported by the ongoing improvement in labor market conditions and firmer US equity markets. Separately, Moody's will review its assessment on Germany's sovereign credit rating (currently at Aaa with stable outlook), while Fitch will update that of Spain (currently at BBB+ with positive outlook).

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GREECE

The Eurogroup of January 22nd will be briefed on the progress of the 3rd review of Greece's economic adjustment programme with a focus on the implementation of the remaining prior actions. A positive conclusion will allow for the disbursement of the next loan tranche in the area of EUR6-7 billion which will likely arrive in state coffers in mid-February. With regard to the post-programme regime for Greece, a European official reportedly stated that Greece's case is somewhat different from that of other countries that exited similar economic adjustment programmes due to the fact the Greece is requesting debt relief. He also rejected the alternative of an enhanced conditions credit line for Greece on the grounds that the Greek government has explicitly ruled out this option. Meanwhile, the IMF Communications Director Gerry Rice reiterated during a press briefing the position of the IMF to activate the Stand-By Arrangement for Greece once two conditions have been fulfilled: the implementation of the policy programme and the debt relief that would ensure debt sustainability. On the latter, he added that not all differences between the Fund and the European partners have been bridged yet but there is scope for progress and work is being done by all sides towards a positive outcome. In other news, the updated S&P credit rating for Greece is expected today.

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January 19, 2018

| BULGARIA: Indicators | 2016 | 2017e | 2018f |
|----------------------|-------------|----------------|-------------|
| Real GDP growth % | 3.4 | 3.8 | 3.5 |
| CPI (pa, yoy %) | -0.8 | 1.6 | 1.5 |
| Budget Balance/GDP* | 1.6 | 0.0 | -1.0 |
| Current Account/GDP | 5.4 | 4.0 | 3.0 |
| EUR/BGN (eop) | 1.9558 | | |
| | 2016 | current | 2017 |
| Policy Rate (eop) | N/A | N/A | N/A |

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

| CYPRUS: Indicators | 2016 | 2017e | 2018f |
|---------------------|------|-------|-------|
| Real GDP growth % | 2.8 | 3.5 | 3.1 |
| HICP (pa, yoy %) | -1.2 | 1.0 | 1.5 |
| Budget Balance/GDP* | 0.4 | 0.2 | 0.4 |
| Current Account/GDP | -5.7 | -5.9 | -6.3 |

* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

| ROMANIA: Indicator: | 2016 | 2017e | 2018f |
|----------------------|-------------|----------------|-------------|
| Real GDP growth % | 4.8 | 5.5 | 4.0 |
| CPI (pa, yoy %) | -1.6 | 1.4 | 3.1 |
| Budget Balance/GDP * | -2.4 | -3.7 | -3.8 |
| Current Account/GDP | -2.2 | -3.0 | -2.8 |
| EUR/RON (eop) | 4.54 | 4.67 | 4.62 |
| | 2017 | current | 2018 |
| Policy Rate (eop) | 1.75 | 2.00 | 2.50 |

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

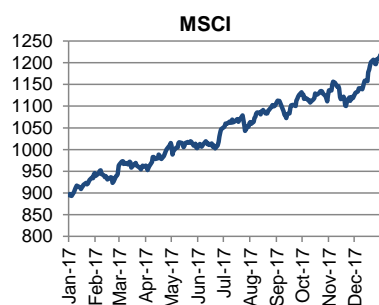
| SERBIA: Indicators | 2016 | 2017e | 2018f |
|---------------------|-------------|----------------|-------------|
| Real GDP growth % | 2.8 | 2.0 | 3.0 |
| CPI (pa, yoy %) | 1.1 | 3.0 | 3.0 |
| Budget Balance/GDP | -1.2 | 0.5 | -0.6 |
| Current Account/GDP | -4.0 | -4.0 | -3.9 |
| EUR/RSD (eop) | 123.40 | 118.2 | 116.5 |
| | 2017 | current | 2018 |
| Policy Rate (eop) | 3.50 | 3.50 | 4.00 |

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

Latest economic & market developments in the CESEE region

Cyprus

Tourist arrivals increased by +14.6% YoY in 2017 (3,652,073 vs. 3,186,531) reaching a new record in the history of the Republic. The highest increase was recorded in tourist arrivals from Israel (+76.1% YoY, 261,966), Germany (+52.2% YoY, 188,826) and Austria (+33.1% YoY, 40,743). Tourist arrivals from traditional and more sizeable markets such as Russia (+5.5% YoY, 824,494) and the UK (+8.3% YoY, 1,253,839) fared relatively well. In a similar vein, tourism revenues expanded also robustly by +11.9% YoY in January-October 2017 to €2,5bn, up from €2,2bn compared to the same period last year. The expenditure per person for the period of January – October 2017 reached €731,6 compared to €749,3 in the corresponding period of the previous year, recording a decrease of 2.4%. The expenditure per person/per day for the period of January – October 2017 compared to the period of January – October 2016 also recorded a decrease of 2.4% (from €78,9 to €77,0). Overall, the outgoing year was another year of records for the tourism industry contributing to the GDP growth rebound of the Cypriot economy. After a three year recession in 2012-2014 and a cumulative drop of 10.5% of GDP, the economy expanded by +2% YoY in 2015 (upwardly revised from +1.7% YoY previously), +3% YoY in 2016 (upwardly revised from +2.8% YoY previously) and accelerated to 3.8% in 2017 above initial international organizations forecasts. Looking ahead, the current strong growth momentum in Cyprus is expected to be sustained in 2018 as well. We envisage GDP growth to reach 3.6% YoY in 2018 driven by the ongoing private consumption rebound.

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| L-T ccy | Moody's S&P | Fitch |
|----------|-------------|-------|
| SERBIA | Ba3 | BB |
| ROMANIA | Baa3 | BBB- |
| BULGARIA | Baa2 | BBB- |
| CYPRUS | B1 | BB+ |

January 19, 2018

GLOBAL MARKETS

| Stock markets | | | | FOREX | | | Government Bonds | | | | Commodities | | | | |
|---------------|----------|-------|------|---------|--------|------|------------------|------------|------|-------|-------------|-------------|------|-------|-------|
| | Last | ΔD | ΔYTD | | Last | ΔD | ΔYTD | (yields) | Last | ΔDbps | ΔYTD bps | | Last | ΔD | ΔYTD |
| S&P 500 | 2798.03 | -0.2% | 4.7% | EUR/USD | 1.2273 | 0.3% | 2.2% | UST - 10yr | 2.64 | 1 | 23 | GOLD | 1333 | 0.4% | 2.3% |
| Nikkei 225 | 23808.06 | 0.2% | 4.6% | GBP/USD | 1.3916 | 0.2% | 2.9% | Bund-10yr | 0.59 | 2 | 16 | BRENT CRUDE | 69 | -0.9% | 2.7% |
| STOXX 600 | 398.73 | 0.2% | 2.5% | USD/JPY | 110.75 | 0.3% | 1.8% | JGB - 10yr | 0.08 | 0 | 4 | LMEX | 3383 | 1.0% | -1.1% |

CESEE MARKETS

SERBIA

Money Market

| BELIBOR | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| T/N | 2.50 | 0 | -2 |
| 1-week | 2.61 | 0 | 0 |
| 1-month | 2.81 | -1 | -4 |
| 3-month | 3.10 | 0 | -2 |
| 6-month | 3.21 | -1 | -3 |

RS Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|--------|------|-------|----------|
| 3Y RSD | 4.26 | 0 | -2 |
| 5Y RSD | 4.63 | 0 | -24 |
| 7Y RSD | 4.98 | 0 | -20 |

RS Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| USD Feb-20 | 3.06 | 0 | 7 |
| USD Nov-24 | 6.04 | -31 | 1 |

CDS

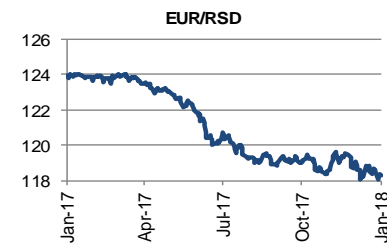
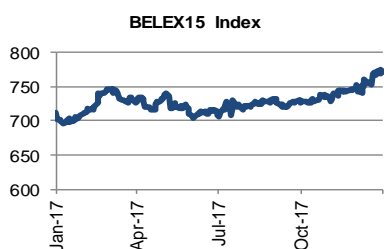
| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 102 | 0 | -16 |
| 10-year | 151 | 0 | -11 |

STOCKS

| | Last | ΔD | ΔYTD |
|---------|-------|-------|-------|
| BELEX15 | 773.3 | 0.32% | 1.78% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|-------|-------|
| EUR/RSD | 118.28 | 0.11% | 0.53% |



ROMANIA

Money Market

| ROBOR | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| O/N | 1.09 | 0 | 0 |
| 1-month | 1.57 | 0 | -30 |
| 3-month | 1.98 | 0 | -7 |
| 6-month | 2.22 | 0 | -5 |
| 12-month | 2.36 | 0 | 4 |

RO Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 3Y RON | 3.36 | 0 | -2 |
| 5Y RON | 3.84 | 0 | 6 |
| 10Y RON | 4.24 | 0 | -7 |

RO Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| EUR Oct-25 | 1.53 | 0 | -7 |
| USD Jan-24 | 3.27 | 1 | 27 |

CDS

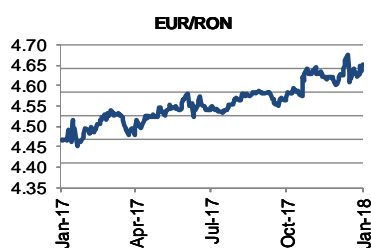
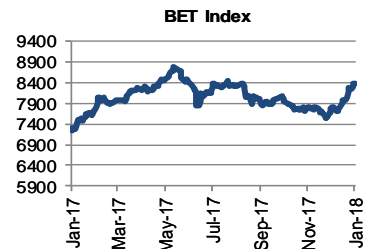
| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 86 | -1 | -4 |
| 10-year | 128 | -1 | -6 |

STOCKS

| | Last | ΔD | ΔYTD |
|-----|--------|--------|-------|
| BET | 8373.2 | -0.02% | 7.99% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|--------|-------|
| EUR/RON | 4.6577 | -0.09% | 0.15% |



BULGARIA

Money Market

| SOFIBOR | Last | ΔDbps | ΔYTD bps |
|----------|-------|-------|----------|
| LEONIA | 0.01 | 0 | 1 |
| 1-month | -0.28 | 0 | -3 |
| 3-month | -0.19 | 0 | -1 |
| 6-month | -0.05 | 0 | 0 |
| 12-month | 0.32 | 0 | 0 |

BG Local Bonds

| (yields) | Last | ΔDbps | ΔYTD bps |
|----------|-------|-------|----------|
| 3Y BGN | -0.06 | 0 | 1 |
| 5Y BGN | 0.09 | 0 | -6 |
| 10Y BGN | 0.97 | 0 | 0 |

BG Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| EUR Mar-22 | 0.11 | 0 | 18 |
| EUR Sep-24 | 0.70 | 0 | 13 |

CDS

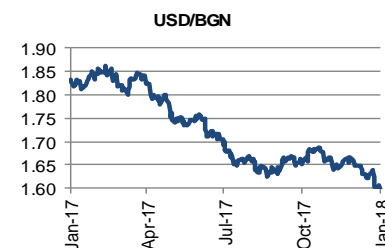
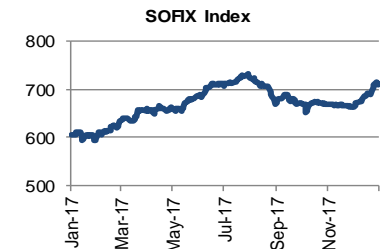
| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 65 | 0 | -32 |
| 10-year | 111 | 4 | -30 |

STOCKS

| | Last | ΔD | ΔYTD |
|-------|-------|-------|-------|
| SOFIX | 711.2 | 0.19% | 4.98% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|-------|-------|
| USD/BGN | 1.5938 | 0.28% | 2.23% |



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research

Data updated as of 10:15: EST

January 19, 2018

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